

Message Text

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SUBJ: SUPPLY AND DEMAND FOR ALBERTA GAS

1. ON MAY 30, ALBERTA ENERGY RESOURCES CONSERVATION BOARD (ERCB) ISSUED SPECIAL REPORT ON SUPPLY AND DEMAND FOR ALBERTA GAS FOR PERIOD 1978-1995. PREPARED AT THE REQUEST OF THE ALBERTA MINISTRY OF ENERGY, ERCB REPORT INDICATES GAS RESERVE GROWTH WHICH COULD PERMIT ISSUANCE OVER NEXT FOUR YEAR PERIOD OF REMOVAL PERMITS FOR 14 TCF. REPORT ALSO ACKNOWLEDGES POTENTIAL FOR RESERVE ADDITIONS WHICH COULD LEAD TO AUTHORIZATION DURING THE 1980 S OF REMOVAL PERMITS FOR ANOTHER 12 TCF. (ALL GAS SHIPMENTS FROM ALBERTA WHETHER FOR USE ELSEWHERE IN CANADA OR FOR EXPORT TO U.S. MUST BE COVERED BY REMOVAL PERMIT ISSUED BY ERCB).

2. ERCB HAS BEEN UNDER CONSIDERABLE INDUSTRY PRESSURE TO REVISE ITS ASSESSMENT OF ULTIMATE INITIAL RECOVERABLE GAS RESERVES AS THIS FIGURE EFFECTIVELY DEFINES THE LIMITS OF ALBERTA S GAS PRODUCTION POTENTIAL. ERCB HAS RETAINED ITS 1976 110 TCF ULTIMATE RESERVE PROJECTION, HOWEVER, IT HAS CONCEDED PUBLICLY FOR THE FIRST TIME THAT THIS FIGURE MAY BE CONSERVATIVE AND SUGGESTED THAT HIGHER RESERVE GROWTH
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OVER LAST FEW YEARS AND OPTIMISTIC INDUSTRY REPORTS ON POTENTIAL OF NEW GAS DISCOVERIES COULD JUSTIFY LARGER ULTIMATE INITIAL RESERVE ESTIMATE. "FOR ILLUSTRATIVE PURPOSES", BOARD HAS FORECAST SUPPLY OUTLOOK FOR BOTH 110 TCF AND A POSSIBLE 130 TCF ULTIMATE INITIAL RESERVE.

3. WITH ULTIMATE RESERVE BASE OF 110 TCF, THE ERCB ESTI-

MATES OF CURRENT POTENTIAL PRODUCTIVE CAPACITY IN ALBERTA AT 2.6 TCF/Y OR 300-400 BCF MORE THAN CURRENTLY ESTIMATED REQUIREMENTS. BOARD CALCULATES THAT POTENTIAL PRODUCTIVE CAPACITY COULD RISE TO ABOUT 3.1 TCF/Y IN THE 1982-84 PERIOD AND WOULD DECLINE TO 2.2 TCF BY 1995. WITH 130 ULTIMATE RESERVE FIGURE, ERCB SUGGESTS THAT POTENTIAL PRODUCTIVE CAPACITY WOULD CLIMB ABOVE 3.1 TCF/Y IN THE MID 1980 S AND WOULD THEREAFTER DECREASE GRADUALLY TO ABOUT 2.5 TCF/Y BY 1995.

4. ERCB ANTICIPATES THAT ALBERTA S GAS REQUIREMENTS WILL RISE FROM CURRENT 550 BCF/Y TO 800 BCF/Y IN 1986-87. WHEN THESE ALBERTA REQUIREMENTS ARE ADDED TO NEB DEMAND PROJECTIONS FOR REMAINDER OF CANADA, ERCB CALCULATES THAT TOTAL CANADIAN GAS DEMAND WILL GROW FROM 1.7 TCF/Y IN 1978 TO 2.9 TCF/Y IN 1995. WITH ULTIMATE RESERVE BASE OF 110 TCF ERCB INDICATES THAT CANADIAN DEMAND AND AUTHORIZED EXPORTS WOULD BE MET UNTIL ABOUT 1985. WITH ULTIMATE RESERVES OF 130 TCF, BOARD FORECASTS THAT ALBERTA PRODUCTION WILL MATCH NET CANADIAN NEEDS AND EXPORT COMMITMENTS UNTIL 1992. (NEB ESTIMATES OF B.C. AND SASKATCHEWAN GAS PRODUCTION ARE INCLUDED IN ABOVE CALCULATIONS).

5. ERCB REPORT INDICATES THAT PROVED REMAINING RECOVERABLE GAS RESERVES IN ALBERTA GREW BY 2.8 TCF IN 1977 TO A TOTAL OF 57.9 TCF. BOARD IS PREDICTING PROVEN RESERVES WILL UNCLASSIFIED

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CLIMB BY THREE TCF IN 1978.

6. COMMENT: IN INTERPRETING BOARD S REPORT TO ANNUAL MEETING OF CANADIAN GAS ASSOCIATION IN MONTREAL, ERCB CHAIRMAN GOVIER EMPHASIZED PROSPECTS FOR GROWTH IN RESERVES AND PRODUCTIVE CAPACITY IF INDUSTRY GIVEN OPPORTUNITY TO MARKET SURPLUS GAS. GOVIER INDICATED THAT SOME OF THE SURPLUS WOULD BE ABSORBED IN CANADIAN MARKET BUT STRESSED THAT THERE WERE GREATER OPPORTUNITIES FOR GAS SALES TO THE U.S. GOVIER MADE CLEAR THAT ALBERTA HAS AND WILL HAVE GAS TO SUPPORT SUCH UNDERTAKINGS. (TRANSCANADA AND PAN ALBERTA APPLICATIONS CURRENTLY BEFORE ERCB TOTAL 7.3 TCF AND 6.5 TCF RESPECTIVELY). KEY PAN ALBERTA EXECUTIVE TOLD CONGEN HE WAS PLEASED BY POSITIVE APPROACH OF ERCB TO EXPORT ISSUE WHILE INDEPENDENT PETROLEUM ASSOCIATION OF CANADA SPOKESMAN DESCRIBED ERCB S REPORT AS IMPORTANT FIRST STEP IN ELIMINATING ALBERTA S GAS GLUT. AS SEEN FROM HERE, ERCB REPORT MAKES PLAUSIBLE CASE FOR ADDITIONAL SHORT TERM GAS EXPORTS AND SETS THE STAGE FOR OCTOBER NEB HEARINGS ON GAS SUPPLY. COPIES OF ERCB REPORT 78-E BEING AIRPOUCHED TO EUR/CAN, EB/ORF/FSE, EMBASSY OTTAWA, AND DOE. RATTRAY

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